

PUBLIC COMMENT - PUBLIC-PRIVATE PARTNERSHIPS

The Australian Risk Policy Institute has a number of concerns about Public-Private Partnerships.

As the economy recovers, governments may come under pressure to accelerate a rebound in service delivery or other operational initiatives prior to their budget bottom lines recovering sufficiently to enable self funding. A common means of achieving such aims in the past has been for governments to enter into Public-Private Partnerships. Past endemic failures in a great majority of Public-Private Partnerships have generated significant concerns among risk professionals. ARPI is preparing a detailed presentation and policy paper on Public-Private Partnerships for delivery to the Australian Department of Defence.

Meanwhile, ARPI offers risk managers the following baseline checklist as a prelude to its detailed policy paper.

There are three key messages that risk managers need to consider when advising prospective partners at the policy formulation stage:

- before the PPP venture starts, i.e. prior to any RFP or offering documents being disseminated, the Public-Private Partnership policy proposal needs to be independently evaluated as to structure, optimal and real profitability, appropriate gearing and an objective formula needs to be established for risk sharing
- Objectively quantified performance targets supported by a performance-based contract model, including reporting timelines and benchmarks must be implemented at the negotiation phase
- mutually agreed audit standards supported by an independent auditor chosen by both parties, including reporting timelines and benchmarks must likewise be implemented at the negotiation phase

Regular reporting on both of those latter elements above, coupled with quarterly analysis of the risks to ensure that risk shifts are accounted for is essential in order that all partners are across the dynamics of the partnership transaction as it unfolds.

Once those elements are put in place, the venture can proceed to finalization. From the private participants' perspective, the very important benefit will be that lenders will feel comfortable that funds committed to the venture are being utilized in a properly accountable way.

Finally, it is absolutely essential that none of the organizations providing external and independent services to the PPP or its participants can be related to any of the bodies who are parties to the partnership.